

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD**

Mr. J. Charles Fox
Assistant Administrator for Water
Environmental Protection Agency
401 M Street, SW
Washington, D.C. 20460
January 10, 2000

Dear Mr Fox:

It is our pleasure to provide you with the enclosed technical report of the Environmental Financial Advisory Board (EFAB) entitled, "Pace of Lending Issues Regarding State Revolving Funds." (PDF Format) The report seeks to look at pace of lending issues within a perspective that encourages State Revolving Funds (SRFs) to maximize present and future benefits. The Board believes that the report provides an alternative view and valuable supplement to the Office of Water's consideration of this important issue over the past year.

In developing and refining the final version of this paper, we have worked extensively with the staff and managers in the SRF Branch. Thanks to the help of these valuable professionals, many issues of possible contention raised in the early drafts have been resolved. However, we clearly recognize that there remain a number of areas in the paper which the SRF Branch still does not concur, and we have agreed to respectfully disagree.

The Board recommends an approach involving a balance sheet view of assets, liabilities, and SRF program equity against which to measure loan activity. The Board's proposal would complement USEPA's current approach based on a cash definition of available funds. Both methods would yield a comprehensive picture of SRF performance.

We would be happy to meet with you to further discuss the findings and recommendations contained in the report. At such a meeting, it might also be opportune to further discuss the Board's Clean Water Action Plan report previously sent to you, as well as any other ways in which the Board might be of assistance to your office.

Finally, I want to take this opportunity to provide you with a copy of another recent Board product, a cd-rom version of "Paying for Sustainable Environmental Systems: A Guidebook of Financial Tools." This guidebook is a reference document containing information on 340 financial tools intended to help practitioners in the public and private sector find appropriate methods to pay for environmental protection efforts. The guidebook was developed in cooperation with the EPA-supported network of eight university-based Environmental Finance Centers and the Agency's Environmental Finance Program staff.

If you or your staff have questions regarding any of these materials, or would like to arrange a

meeting, please contact the staff lead for the Board at EPA Headquarters, George Ames, at (202) 564-4998. We greatly appreciate the continuing opportunity to serve the Agency and your office.

Sincerely,

(signed)

Robert O. Lenna

Chair

Environmental Financial

Advisory Board

(signed)

John C. Wise

Executive Director

Environmental Financial

Advisory Board

Enclosure